

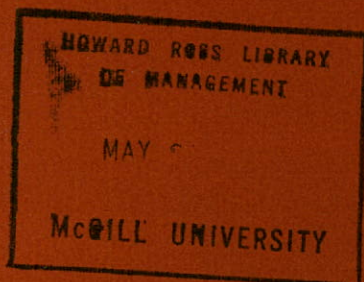
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# Maple Leaf Mills Limited

## Annual Report 1979

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# Maple Leaf Mills Limited Annual Report

for the year ended December 31, 1979

## Directors

R. G. Dale  
B. A. Norris

J. A. Geller  
L. J. Risi, Jr.

F. H. Logan  
D. G. Scott

J. A. McCleery  
J. A. Telfer

## Officers

R. G. Dale  
*Chairman of the Board,  
President and Chief Executive Officer*

J. A. Telfer  
*Executive Vice-President, Operations*

### *Senior Vice-Presidents*

H. W. Blakely, *Planning & Corporate Services*  
J. D. Bodrug, *Domestic Operations*  
W. E. Paterson, *International Operations*  
P. W. Strickland, *Corporate Development*  
J. J. Wigle, *Finance*

### *Vice-Presidents*

A. H. James, *Flour*  
J. W. MacDonald, *Grocery Products*  
J. S. Clarke, *Agriculture*  
S. A. Miller, *Labour Relations*  
C. L. Turner, *Grain*

### *Financial*

D. D. Brown, *Corporate Controller*  
R. J. Mogg, *Assistant Corporate Controller*  
P. Kriwoy, *Assistant Secretary*  
R. E. Lennox, *Secretary-Treasurer*

## Associated Companies

### President and Chief Executive Officers

N. T. Currie, *Corporate Foods Limited*  
D. Devine, *McGavin Foods Limited*  
D. G. Hickingbottom, *Eastern Bakeries Limited*  
W. G. Milliken, *Maple Leaf Monarch Company*

## Head Office

2300 Yonge Street  
Toronto, Ontario M4P 1E4



## Chairman's Report

During the fiscal year 1979, sales and operating revenues increased 15% to \$718,765,000, while net earnings were \$12,810,000 compared with \$13,726,000 reported last year as re-stated. In addition an extraordinary gain of \$8,730,000 was reported in 1978 relating to the final settlement of our expropriated Queen's Quay facilities.

To a considerable extent the lower level of earnings is attributable to the interest on the term loan assumed by the Company as a result of the amalgamation of Maple Leaf Mills Limited, Port Colborne & St. Lawrence Navigation Company, Limited, and Norin Canada Holdings Inc., which was completed on February 1st, 1979. At that time Maple Leaf Mills became a wholly-owned subsidiary of Norin Corp. of Miami, Florida.

Earnings of the Agricultural Division for the year were disappointing, as margins in most areas of the business were low and costs were generally higher, partially as a result of a fire at the new Cavan feed plant. The results of the Grain Division were encouraging in some areas, but suffered from a shortfall in trading volumes and margins, particularly in the Ontario market.

The Flour Division achieved record earnings for the year, particularly as a result of higher levels of export sales and improved milling results in most areas of the country.

The International Division had an outstanding year, completing the expansion of the flour mill and the construction of new grain handling facilities in Haiti and opening a new flour mill complex in Barbados. New feed plants are under construction in both Haiti and Barbados and these new facilities should be operational in 1980.

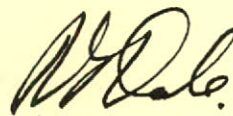
The flour mill in St. Vincent which services the East Caribbean Community had an excellent year and a new feed plant is being planned for this location. Our shares in National Flour Mills Limited, were sold to the Government of Trinidad and Tobago at the end of 1979, as agreed under the terms of the original contract, and Maple Leaf does not have any further involvement in these operations at the present time.

The new vegetable oil mill and refinery of Maple Leaf Monarch Company, a joint venture between Maple Leaf Mills Limited and Lever Brothers Limited, commenced operations during the year and it is expected that the plant will be fully operational by the Spring of 1980. Earnings in 1979 were adversely affected by construction delays and certain start-up problems.

Our Associated Bakery operations reported record earnings and they continue to show encouraging improvement across the country. The Grocery Products Division moved into a new, highly automated plant in Toronto at the end of 1979, and is forecasting improved results for the current year.

While operations must continue to contend with high interest rates and intense competition in most areas of our business, we feel confident that we can react positively to the challenges facing us and look forward to improved results in the year ahead.

The co-operation and support of our employees at every level of our operations contributed greatly to the success of the Company during the past year and is very greatly appreciated.



Robert G. Dale  
*Chairman, President and  
Chief Executive Officer*

March 12th, 1980

# Consolidated Financial Statements

for the year ended December 31, 1979

## Auditors' Report

To the Shareholders of  
Maple Leaf Mills Limited:

We have examined the consolidated balance sheet of Maple Leaf Mills Limited as at December 31, 1979 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,  
February 14, 1980.

*Clarkson, Gordon & Co.*

Chartered Accountants



# Consolidated Statement of Earnings

for the year ended December 31, 1979

	1979	1978
	(000's omitted)	
Sales and revenues:		
Sales and operating revenues	\$718,765	\$623,464
Interest, investment and other income	2,737	2,141
Equity in net earnings of joint ventures and affiliated companies	2,140	1,447
Gain on sale of properties and investment in affiliated company	1,139	870
	724,781	627,922
Costs and expenses:		
Cost of sales and operating expenses	646,782	556,059
Selling and administrative expenses	41,060	35,302
Depreciation	5,761	5,425
Interest on bankers' advances and notes	3,445	1,004
Interest on long-term debt	6,569	5,813
Minority interests	1,154	872
	704,771	604,475
Earnings before income taxes and extraordinary gain	20,010	23,447
Income taxes (note 8)	7,200	9,721
Earnings before extraordinary gain	12,810	13,726
Extraordinary gain (note 10)		8,730
Net earnings	\$ 12,810	\$ 22,456

# Consolidated Statement of Retained Earnings

for the year ended December 31, 1979

	1979	1978
	(000's omitted)	
Retained earnings at beginning of year (note 1)	\$ 87,490	\$69,596
Net earnings	12,810	22,456
	100,300	92,052
Dividends	6,527	4,562
Retained earnings at end of year	\$ 93,773	\$87,490



# Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1979

	1979	1978
	(000's omitted)	
Source of funds:		
Funds from operations	\$ 18,354	\$20,967
Long-term debt issued	4,809	4,625
Investments realized	2,973	552
Sale of property and equipment	1,269	1,726
Expropriation settlement		13,064
Other	290	
	27,695	40,934
Application of funds:		
Purchase of property and equipment	21,066	25,342
Dividends declared	6,527	4,562
Redemption of preference shares	5,002	
Long-term debt retired	4,788	2,352
Investments made	1,710	1,825
	39,093	34,081
(Decrease) increase in working capital	(11,398)	6,853
Working capital at beginning of year	81,543	74,690
Working capital at end of year	\$ 70,145	\$81,543
Analysis of (decrease) increase in working capital:		
Increase (decrease) in current assets -		
Short-term deposits and investments	\$ (1,391)	\$ (1,294)
Accounts receivable	1,905	5,378
Expropriation settlement	(12,145)	12,145
Inventories	12,207	1,435
Prepaid expenses	(273)	175
	303	17,839
Less increase (decrease) in current liabilities -		
Bank indebtedness and notes payable	11,545	3,917
Accounts and taxes payable	1,873	5,585
Other	(1,717)	1,484
	11,701	10,986
(Decrease) increase in working capital	\$(11,398)	\$ 6,853

# Consolidated Balance Sheet

December 31, 1979

## Assets

	1979	1978
	(000's omitted)	
Current:		
Short-term deposits and investments, at cost which approximates market	\$ 3,735	\$ 5,126
Accounts receivable	59,068	57,163
Expropriation settlement		12,145
Inventories (note 3)	76,021	63,814
Prepaid expenses	921	1,194
Total current assets	139,745	139,442
Joint ventures and affiliated companies (note 4)	12,969	11,597
Property and equipment (note 5)	90,001	75,793
Other assets	2,468	2,234
	<b>\$245,183</b>	<b>\$229,066</b>

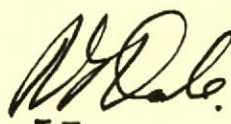


## Liabilities

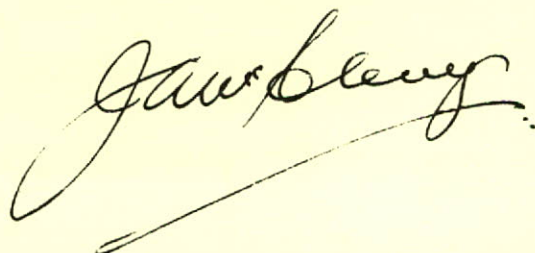
	1979	1978
	(000's omitted)	
Current:		
Bank indebtedness	\$ 11,667	\$ 11,365
Notes payable	19,919	8,676
Accounts payable and accrued liabilities	35,048	35,623
Income and other taxes payable	2,966	518
Dividends payable		1,717
Total current liabilities	69,600	57,899
Long-term debt (note 6)	54,770	54,790
Accrued pension costs (note 7)	2,393	2,290
Deferred income taxes	17,718	15,857
Minority interests in subsidiaries:		
Preference shares	1,225	1,225
Common shares	5,629	4,938
	6,854	6,163
Shareholders' equity:		
Share capital (notes 1 and 9)	75	4,577
Retained earnings (notes 1 and 6)	93,773	87,490
	93,848	92,067
	\$245,183	\$229,066

On behalf of the Board:

Director



Director



# Notes to Consolidated Financial Statements

December 31, 1979

## 1. Amalgamation

Pursuant to the provisions of The Business Corporations Act (Ontario), Maple Leaf Mills Limited (Maple Leaf), Norin Canada Holdings Inc. (Norin Canada), and Port Colborne & St. Lawrence Navigation Company, Limited (Port Colborne) were amalgamated effective February 1, 1979 and continued as Maple Leaf Mills Limited.

At the time of the amalgamation Norin Corp. (Norin), through its wholly-owned subsidiary, Norin Canada, owned 95% of Maple Leaf's common shares. Maple Leaf owned 100% of Port Colborne, an inactive company.

On amalgamation, all intercompany shareholdings were cancelled. The holders of the 5% of Maple Leaf's common shares not held by Norin received redeemable preference shares of the amalgamated company on the basis of one preference share for each common share previously held, and Norin received one common share of the amalgamated Company for each Norin Canada share previously held.

The accounting for the amalgamation recognizes the continuity of interest that exists and has, therefore, been treated as if it were a pooling of interests, and the 1978 comparative figures have been restated as if the predecessor companies had always been combined. The previously reported long-term debt of Maple Leaf has been increased by the amount of the term borrowings of Norin Canada (\$22,588,000) incurred to finance the acquisition of Maple Leaf shares and the 1978 net earnings of Maple Leaf have been reduced by \$1,470,000 representing Norin Canada's after-tax interest cost on these funds. The changes in share capital, contributed surplus and retained earnings resulting from the amalgamation are summarized in the following table:

	Share	Contri- buted capital	Retained surplus	Earnings
Balance at January 1, 1978 as previously reported	\$5,830	\$606	\$88,143	
Combination with Norin Canada and Port Colborne including the elimination of				

intercompany shareholdings (1,253) (606) (18,547)

Balance at January 1, 1978 as restated	4,577	-	\$69,596
Issue of common shares of Norin Canada in 1979 prior to amalgamation	500		
Redemption of preference shares issued on amalgamation	(5,002)		
Balance at December 31, 1979	\$	75	

## 2. Summary of accounting policies

### (a) Basis of presentation and consolidation policy -

The consolidated financial statements include the accounts of all subsidiaries, and also the company's proportionate share of the accounts of Maple Leaf Monarch Company, a 50%-owned unincorporated joint venture (see note 4).

The principal subsidiaries and the company's interest therein are set out below:

Canadian Bakeries Limited	99%
Corporate Foods Limited	63%
Eastern Bakeries Limited	68%

The excess of cost over book value of net assets of subsidiaries at dates of acquisition has been allocated to property and goodwill.

Depreciation has been charged against earnings on amounts allocated to depreciable assets. Goodwill is amortized over its estimated life or forty years, whichever is less.

### (b) Inventories -

Inventories are valued at the lower of average cost and replacement cost. Grains held for resale, and other inventories where practicable, are hedged to minimize risk due to price fluctuations.

### (c) Sales and revenue recognition -

Sales of products and services to customers are recognized when title to products passes to the customer and when services



are performed. Foreign management fee revenues are recognized when collection becomes reasonably assured.

(d) Depreciation -

Depreciation is calculated on the straight-line basis. The rates used, as set out below, are estimated to be sufficient to depreciate the cost of the assets over their useful lives:

Buildings	2% - 10% per annum
Machinery and equipment	6% - 30% per annum
Automotive equipment	20% - 30% per annum

Upon sale or retirement of property or equipment the cost and accumulated depreciation applicable thereto are removed from the accounts and the resulting gain or loss is included in earnings.

(e) Pension costs -

Pension costs for current service are charged to earnings on a current basis. Past service costs relating to changes in pension benefits and in actuarial assumptions are amortized over eight years. Past service costs are funded over periods not exceeding fifteen years.

(f) Capital leases -

Leases which transfer substantially all the benefits and risks of ownership of the leased asset are accounted for as acquisitions of assets and the incurrence of obligations.

3. Inventories

Inventories at December 31 consist of the following:

	1979	1978
	(000's omitted)	
Grains held for resale	\$18,148	\$12,694
Material held for production	31,381	32,305
Finished products	26,492	18,815
	<b>\$76,021</b>	<b>\$63,814</b>

4. Joint ventures and affiliated companies

(a) Maple Leaf Monarch Company -

The company has a 50% interest in Maple

Leaf Monarch Company, an unincorporated joint venture which assumed the business of the company's Vegetable Oil Division in 1979. To reflect the continuity of the company's involvement in the vegetable oil business, the accounts of Maple Leaf Monarch Company have been proportionately consolidated and the 1978 comparative figures have been reclassified accordingly.

Summary financial information relating to Maple Leaf Monarch Company is as follows:

	Company's proportionate share	
	1979	1978
	(000's omitted)	
Current assets	<b>\$10,818</b>	
Fixed assets including plant under construction	<b>26,518</b>	\$17,820
Equity	<b>28,986</b>	17,820
Revenues	<b>34,977</b>	
Operating earnings	<b>398</b>	

(b) Other joint ventures and affiliated companies -

Investments in other joint ventures and affiliated companies are recorded on the equity basis.

The company's interests in its principal investments are set out below:

Barbados Mills Limited	40%
East Caribbean Flour Mills Limited	40%
McGavin Foods Limited	40%
Pinecrest Foods Limited	50%
Société de Nutrition Animale	33%
XL Feeds Ltd.	50%

Corporate Foods Limited, a 63% owned subsidiary, has investments and interests therein as set out below:

Durivage Inc.	25%
La Boulangerie Doyon Inc.	25%
La Huche Sans Pareille (1969) Inc.	25%
Purity Bakeries Limited	50%
Robin Le Pain Moderne Inc.	25%

Summary financial information relating



to other joint ventures and affiliated companies as a group is as follows:

	1979		1978	
	Total	Company's share	Total	Company's share
	(000's omitted)			
Assets	\$ 71,382	\$26,178	\$ 66,017	\$24,510
Equity	36,146	12,969	31,776	11,597
Revenues	178,466	67,335	158,965	61,519
Net earnings	6,203	2,140	3,358	1,447

## 5. Property and equipment

	1979		1978	
	Cost	Accumulated depreciation	Net	Net
	(000's omitted)			
Land and improvements	\$ 5,033	\$ 273	\$ 4,760	\$ 4,311
Buildings	56,536	18,364	38,172	31,183
Equipment	92,151	45,082	47,069	40,299
	<b>\$153,720</b>	<b>\$63,719</b>	<b>\$90,001</b>	<b>\$75,793</b>

## 6. Long-term debt

Long-term debt, excluding amounts due within one year included in accounts payable and accrued liabilities, consists of the following:

	1979	1978
	(000's omitted)	
Maple Leaf Mills Limited -		
5 <sup>3</sup> / <sub>4</sub> % Sinking Fund Debentures to mature December 1, 1981	\$ 5,472	\$ 5,924
11 <sup>5</sup> / <sub>8</sub> % Sinking Fund Debentures to mature August 1, 1995	18,300	19,150
Bank term debt to mature January 31, 1990 (at approximately bank prime rate)	24,500	22,588
Corporate Foods Limited -		
8 <sup>1</sup> / <sub>2</sub> % Sinking Fund Debentures, Series A due December 15, 1988	3,175	3,361
Obligations under capital leases (see note 12) -		
Interest rates range from 6% to 13% with an average rate of approximately 9%. Expiry dates range from January, 1981 to October, 1989	2,808	3,096
Other	515	671
	<b>\$54,770</b>	<b>\$54,790</b>

Estimated annual repayment requirements in the next five years are:

	(000's omitted)	
1980	-	\$1,599
1981	-	9,469
1982	-	4,005
1983	-	3,572
1984	-	3,518

The trust indentures securing the company's debentures contain covenants restricting the payment of dividends. Under the most restrictive covenant the amount of retained earnings available for payment of dividends was approximately \$21,000,000 as at December 31, 1979.

## 7. Pension costs

Pension expense totalled \$2,300,000 for the year (\$1,800,000 in 1978). During the year, certain pension benefits were improved thereby giving rise to additional unfunded past service obligations of approximately \$1,300,000. Based on the most recent independent actuarial valuation of the company's plan, unfunded past service obligations at December 31 consisted of the following amounts:

	1979	1978
	(000's omitted)	
Accrued in current liabilities	\$ 300	\$ 280
Accrued in non-current liabilities	2,393	2,290
To be amortized	2,500	1,930
	<b>\$5,193</b>	<b>\$4,500</b>

## 8. Income taxes

Income taxes charged to earnings in 1979 include deferred taxes of \$1,861,000 (\$5,453,000 in 1978). Investment tax credits are accounted for using the cost reduction method.

## 9. Share capital

	December 31, 1979	
	(000's omitted)	
8% non-cumulative, redeemable preference shares, par value \$20 each:		
Authorized - 49,888 shares		
Issued - Nil		-
Common shares without par value:		
Authorized - 12,000,000 shares		
Issued - 3,576,228 shares		<b>\$75</b>

On amalgamation (see note 1), 3,576,228 common shares and 250,112 redeemable preference shares were issued in exchange for all those shares of the predecessor companies not cancelled on amalgamation. During the year, the preference shares were redeemed.

#### 10. Extraordinary gain

The 1978 extraordinary gain results from the final settlement of the company's claim against the Government of Canada for compensation arising from the expropriation of the company's Queen's Quay, Toronto property.

#### 11. Capital expenditure plans

The estimated costs to complete principal projects in progress at the year end total \$5,000,000.

#### 12. Leases

The cost of equipment, leased under agreements classified as capital leases, is accounted for as property and equipment and is amortized on a straight-line basis over its useful life.

Such equipment is included in property and equipment as follows:

	December 31	
	1979	1978
	(000's omitted)	
Machinery and equipment	\$7,604	\$7,830
Less accumulated amortization	3,331	2,862
	<b>\$4,273</b>	<b>\$4,968</b>

Future minimum lease payments under the above capital leases together with the related present value as at December 31, 1979 are as follows:

	(000's omitted)
1980	\$1,025
1981 - 1984	2,261
Thereafter	1,389
Total minimum lease payments	4,675
Less amount representing interest	1,062
Present value of minimum lease payments	3,613
Less amounts due in one year and included in accounts payable and accrued liabilities	805
	<b>\$2,808</b>

The company also leases property and equipment under agreements which are classified as operating leases. Rental expense under such leases was \$4,025,000 and \$2,480,000 for the years 1979 and 1978 respectively. Annual future minimum rentals under operating leases approximate \$1,500,000.

#### 13. Other statutory information

Remuneration of directors and senior officers totalled \$1,289,718 for the year (\$1,024,520 in 1978).

#### 14. Quarterly sales and net earnings

	(unaudited)			
	Sales and other operating revenue		Net earnings (excluding 1978 extraordinary gain)	
	1979	1978	1979	1978
	(in millions)			
First quarter	\$149	\$136	\$ 2.8	\$ 2.6
Second quarter	190	171	3.4	3.7
Third quarter	180	141	2.6	2.6
Fourth quarter	200	175	4.0	4.9
	<b>\$719</b>	<b>\$623</b>	<b>\$12.8</b>	<b>\$13.8</b>

Sales are generally higher in the second and fourth quarters reflecting the agricultural orientation of certain of the company's operations. Fourth quarter net earnings in 1979 and 1978 include the company's share (\$500,000 and \$1,370,000 respectively after taxes) of the earnings of an overseas company in which it participates under a management contract.

#### 15. Business segments

The company's operations have been grouped into four business segments and the primary operations of each are as follows:

Agricultural products	Production and marketing of animal and poultry feeds; operating farm supply centres; processing and marketing of poultry products; processing and marketing of cereal, forage and lawn seed.
Grain	Trading and merchandising grains; acting as one of the sales agents for the Canadian and Ontario government wheat



15. Business segments (cont.)

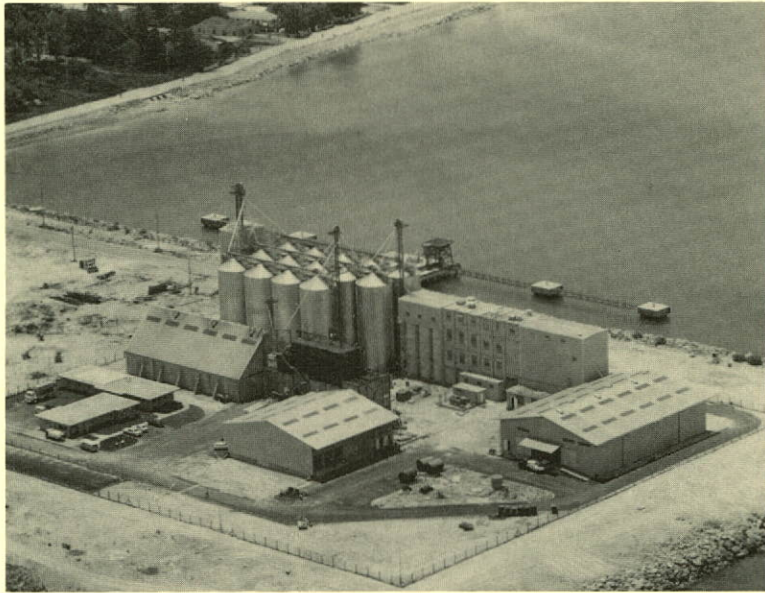
	marketing boards; operating grain elevators and farm supply centres.
Flour and vegetable oil	Milling and processing of wheat; selling a variety of wheat flours; providing management assistance to flour milling companies in Caribbean countries; processing of oilseeds and selling of vegetable oils and meals (through Maple Leaf Monarch Company).
Consumer food products	Production and marketing of a variety of consumer grocery products, bakery goods and pet foods under several brand names.

	1979	1978
	(000's omitted)	
Operating earnings:		
Agriculture products	\$ 4,793	\$ 6,492
Grain	3,794	3,029
Flour and vegetable oil	19,479	17,500
Consumer food products	5,703	5,914
Other	1,202	954
	<u>34,971</u>	<u>33,889</u>
Interest, minority interests and general corporate expenses		
	17,101	11,889
Earnings before income taxes, equity in net earnings of joint ventures and affiliated companies and extraordinary gain		
	<u>\$ 17,870</u>	<u>\$ 22,000</u>

The following table sets forth the revenues and earnings of each of the company's business segments:

	1979	1978
	(000's omitted)	
Sales and revenues:		
Agriculture products	\$160,591	\$147,169
Grain	193,953	180,016
Flour and vegetable oil	332,984	245,000
Consumer food products	127,580	112,083
Other	1,202	954
	<u>816,310</u>	<u>685,222</u>
Intersegment sales	93,669	58,747
Sales and revenues excluding equity in net earnings of joint ventures and affiliated companies		
	<u>\$722,641</u>	<u>\$626,475</u>





*Pictured above is the Flour Mill, Feed Mill and Grain Terminal of Barbados Mills Limited. This is a joint venture between Maple Leaf Mills Limited and the Government of Barbados, and commenced operations in 1979.*

